

Community resources

[Follow us on Twitter](#) [Check our Reddit](#) [Twitter this](#) [Digg this page](#) [Contact us on IRC](#)

courage is contagious

Viewing cable 09MOSCOW3051, U/S HORMATS'S MEETING WITH GAZPROM

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#09MOSCOW3051**.

Reference ID	Created	Released	Classification	Origin
09MOSCOW3051	2009-12-18 15:37	2011-08-30 01:44	CONFIDENTIAL	Embassy Moscow

Appears in these articles:

<http://www.spiegel.de/>

VZCZCXRO0499
PP RUEHDBU RUEHFL RUEHKW RUEHLA RUEHNP RUEHROV RUEHSL RUEHSR
DE RUEHMO #3051/01 3521537
ZNY CCCCC ZZH
P 181537Z DEC 09
FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC PRIORITY 5712
INFO RUCNCIS/CIS COLLECTIVE PRIORITY
RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUEHXL/MOSCOW POLITICAL COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RHMFISS/DEPT OF ENERGY WASHINGTON DC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 003051

SIPDIS

DEPT FOR EUR/RUS, EEB/ESC/IEC GALLOGLY AND GREENSTEIN,
S/EEE MORNINGSTAR
DOE FOR HEGBURG, EKIMOFF
DOC FOR JBROUGHER
NSC FOR MMCFAUL

E.O. 12958: DECL: 09/15/2019
TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#)
SUBJECT: U/S HORMATS'S MEETING WITH GAZPROM

REF: A. MOSCOW 2904

Classified By: Ambassador John R. Beyrle for Reasons 1.4 (b/d)

SUMMARY

11. (C) Gazprom's Deputy CEO Alexander Medvedev told U/S Hormats that he welcomes better relations with the U.S. and that Gazprom seeks to expand its presence in North America. He blamed last year's gas crisis on President Yushchenko and claimed Russia does not want to politicize the gas trade. He confirmed the concessions that Gazprom has made on gas sales to Ukraine, believed Ukraine can pay its gas bills, and expected no disruption this winter "unless Yushchenko goes crazy." Medvedev said the gas market is becoming more globalized and that Gazprom is "not afraid of liberalized markets." He said Gazprom continues to push for a rise to net-back parity of domestic industrial gas prices with European prices by 2011. Medvedev also stressed the importance of hockey diplomacy, expressing hope for greater cooperation between the Russian KHL and the NHL. End summary.

GAZPROM AND THE U.S.

12. (C) In a December 1 meeting with visiting U/S Hormats and the Ambassador, Gazprom's Deputy CEO Alexander Medvedev expressed satisfaction with the "reset" and suggested that the next step in relations is an "upgrade." Medvedev was very pleased that the USG does not see Gazprom projects in Europe as a threat, and predicted that Gazprom would boost its operations in the U.S. He noted that Gazprom sees North America as a "priority market" and that it would like to expand its U.S. subsidiary, Gazprom Marketing and Trading U.S.A. He opined that shale gas production in the U.S. would not preclude future LNG imports and said Gazprom has booked future LNG regassification capacity on both North American coasts. Medvedev also suggested the environmental impact of shale gas production needs further review. In response to U/S Hormats's question regarding specific projects in which Gazprom is interested in the U.S., Medvedev simply said Gazprom would "consider projects on a case-by-case basis as opportunities arise."

UKRAINE

13. (C) In discussing Ukraine, Medvedev spared no scorn. Unprompted, he said "treating Ukraine as a democracy is a discredit to democracies worldwide." He asserted -- with a straight face -- that Russia does not want to politicize the gas trade; that it is a purely commercial issue. He blamed President Yushchenko for playing politics with the gas issue, claiming that Yushchenko had directly ordered Naftohaz head Dubyina not to sign a contract with Gazprom in December 2008 "in order to create the crisis." Medvedev confirmed that Gazprom had agreed to waive fines that it could have imposed on Ukraine for taking less gas than contracted in 2009, that it had agreed to lower 2010 sales volumes to meet Ukraine's lower demand, and that it would pay higher transit fees to Ukraine in 2010 (ref B). He also said that Gazprom believes Ukraine has the money to pay for its winter gas needs. He therefore did not expect any problems this winter, "unless Yushchenko goes crazy and forbids the central bank from transferring funds to Naftohaz."

14. (C) In response to the Ambassador's question, Medvedev said he did not expect any effect on Gazprom contracts with other European customers as a result of its agreement with Ukraine. He clarified that its contracts with Ukraine were, at Ukraine's request, not "traditional" take-or-pay contracts in that Ukraine had agreed to pay a fine if it took less gas than contracted. In contrast, Gazprom's contracts with other European customers require them to pay for a specified

quantity of gas whether they take it or not. If they do not take the minimum amount of gas in a given year, Medvedev

Moscow 00003051 002 of 002

explained, they can take it in future years.

GAS MARKET

15. (C) With regard to the gas glut and depressed spot market prices, Medvedev downplayed the role of the spot market, emphasizing that it is currently "only" 15% of the total gas market. He added that Gazprom also expects spot market prices to rise in the longer-term toward Gazprom's prices and thus have limited impact on Gazprom's sales. However, he also admitted that it is "quite obvious that the market is globalizing" and said that Gazprom expects the share of spot market sales to reach 25% in coming years. He added that Gazprom is "not afraid of competing in a liberalized market."

16. (C) Regarding developments of new gas fields in Russia, Medvedev said that Gazprom has both the technology and ability to exploit new fields in the Yamal peninsula, but that it has pushed back plans due to market conditions. He said development of the Bovanenko field, has been delayed to 2012 because Gazprom sees no demand for additional gas in 2011.

DOMESTIC GAS PRICE LIBERALIZATION

17. (C) Medvedev said that Gazprom continues to push for full liberalization of domestic gas prices for industry by 2011, without admitting that it is unlikely to happen (ref A). He noted that artificially low regulated domestic gas prices had created market distortions and hurt efficiency. According to Medvedev, Gazprom made its first profit on domestic sales only this year. He said that the GOR was hesitant to raise gas prices on consumers during an economic crisis, but that from Gazprom's point of view household gas prices could remain subsidized as they only represent 15% of domestic gas sales. (Comment: He seemed to neglect that industrial prices would also pass through to consumers. End comment.)

HOCKEY

18. (C) As a hockey fanatic and president of the major Russian hockey league, the KHL, Medvedev also stressed the importance of "hockey diplomacy." Frustrated by the lack of an agreement with the NHL (on competitions, player transfers, and other issues), he called the NHL "retrograde" and "stuck in the cold war." That said, Medvedev reported that he had a good meeting in Washington with NHL Commissioner Gary Bettman, and that he hoped it would lead to positive action.

COMMENT

19. (C) Medvedev is understandably selective with his facts and positions regarding the gas market and Ukraine. However, he sounded sincere in his desire for better U.S.-Russian relations and greater bilateral economic activity. An expansion of Gazprom's presence in the U.S. and in other developed economies would likely serve our interests by further exposing the company to both the discipline of western financial markets as well as the oversight of strong regulatory institutions. End comment.

110. (U) This cable has been cleared by U/S Hormats' delegation.
Beyrle